

EXHIBIT A

FINAL TRANSCRIPT

Thomson StreetEvents™

EPAX - Q3 2007 Ambassadors Group, Inc. Earnings Conference Call

Event Date/Time: Oct. 23. 2007 / 11:30AM ET

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Oct. 23. 2007 / 11:30AM, EPAX - Q3 2007 Ambassadors Group, Inc. Earnings Conference Call

CORPORATE PARTICIPANTS

William Sennett*Ambassadors Group, Inc. - Director - Strategic Planning***Jeff Thomas***Ambassadors Group, Inc. - President, CEO***Peg Thomas***Ambassadors Group, Inc. - EVP, President - Ambassador Programs***Chadwick Byrd***Ambassadors Group, Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Mimi Noel*Sidoti & Co. - Analyst***Chris Hanaway***Gallatin Asset Management - Analyst***Greg McKinley***Dougherty & Company LLC - Analyst***Sam Nicholls***W. Quillen Securities - Analyst***Gerard Heffernan***Lord Abbett - Analyst***Justin Binshu***Clearwater Equity Group - Analyst***Andrew Boord***Fenimore Asset Management, Inc. - Analyst***James Bellessa***D.A. Davidson & Co. - Analyst***Alan Brochstein***AB Analytical Services - Analyst***Steven McBoyle***Royce & Associates, LLC - Analyst*

PRESENTATION

Operator

Good day ladies and gentlemen and welcome to the Third Quarter 2007 Ambassadors Group Inc. Earnings Conference Call. My name is Lacey and I'll be your operator for today's call. At this time all participants are in a listen-only mode. We will conduct a question and answer session towards the end of this conference.

(OPERATOR INSTRUCTIONS)

I would now like to turn the call over to Mr. [William Sennett], Director of Strategic Planning. Please proceed, sir.

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William Sennett - Ambassadors Group, Inc. - Director - Strategic Planning

Thank you, Lacey. Good morning. On the call with me today is Jeff Thomas, President and Chief Executive Officer of Ambassadors Group; Peg Thomas, President of the operating subsidiary Ambassador Programs; and Chadwick Byrd, Chief Financial Officer of Ambassadors Group. First, before we proceed into the call, I will read a safe harbor statement regarding forward-looking statements.

Statements contained in this press conference and related comments by Ambassadors Group management, which are not historical in nature, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, section 27(a) of the Securities Act of 1933, as amended, in Section 21(e) of the Securities Exchange Act of 1934, as amended.

These forward-looking statements include, without limitation, statements that relate to expectations concerning matters that are not historical facts. Words such as projects, believes, anticipates, plans, expects, intends, estimates, and similar words and expressions are intended to identify forward-looking statements.

These forward-looking statements reflect our beliefs, our current expectations with respect to, among other things, trends in the travel industry, our business and growth strategies, our use of technology, our ability to integrate acquired businesses, future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings, financial reserves, and fluctuations in our operations.

Forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from anticipated results. These risks and uncertainties are set forth in Ambassadors Group's most recent report filed with the SEC on Form 10K as it may be updated in our subsequent 10Q and 8K reports. All forward-looking statements are expressly qualified in their entirety by these factors and all related cautionary statements. We do not undertake any obligation to update any forward-looking statements. With that, I will hand the call over to Jeff.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Good morning, this is Jeff Thomas. Thank you all for your time this morning. In the next few minutes, I will be providing a general business overview, third quarter results and highlights and outlook for 2008. After that, I will hand the call over to Peg Thomas and Chadwick Byrd, who will discuss the third quarter results in more detail. We will then close with a question and answer session.

First, the general overview. As you will see in the earnings release we announced a fully diluted earnings per share for the quarter of \$1.12, which is a 40% increase over the \$0.80 fully diluted earnings per share for the same period one year ago. Net income for the third quarter 2007 was \$22.5 million, up compared to \$17.1 million in the third quarter 2006.

We traveled 24,475 delegates on our programs in the third quarter of 2007, and nearly 50,000 year-to-date, a 23% increase from 2006. So for 2007, we've now traveled a vast majority of delegates that we're going to travel. In fact, in 2006, through the third quarter, we had traveled roughly 40,500 delegates, and our total travel delegates for the year was about 43,000. At the end of our third quarter this year, we still had approximately 2,700 delegates enrolled to travel in the calendar year 2007.

I'd like to provide a bit more background here. For the most part, our international travel programs run two to three weeks in length for students aged 12 to 18 years old and summer is the best time of year for these students to be abroad for an extended period of time. Over the past several years, we have been adapting to a changing world by growing our domestic offerings, adding shorter and less expensive international programs during the school months, and increasing the number of international students who participate in our programs.

For the first three quarters of the year, roughly 25% of our travelers were on domestic programs in comparison to 22% in the same period one year ago, and up from basically zero five years ago. In addition, as the dollar has declined, we have worked to

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enroll more students from foreign countries. In 2007, it looks that we will have students coming to our program from roughly 100 different countries around the world. Further, just last week, we had a group of students in London and Paris on a leadership program during the school year.

For the third quarter year-to-date, we have posted fully diluted earnings per share of \$1.91 in 2007 compared to \$1.50 in the same period year-to-date in 2006. And net income increased to \$38.5 million in 2007 from \$32.1 million in 2006.

Third, I want to discuss the outlook for 2008. As many of you know, our marketing for travel in 2008 ramps up considerably after Labor Day. We start to get our first early indicators for next year in late September and early October based upon the results from our information meetings and resulting enrollments.

This is my 13th Fall here and our early indicators for revenue growth in 2008 are not good. In fact, this is only the second time in these 13 Falls that I have been looking at a year-over-year revenue decline. The other was 2001, in the wake of 9/11. The situation is reflected in our balance sheet, where participants' deposits are down approximately 27%. In addition, net enrollments for next year are at roughly 25,800 compared to roughly 36,000 at the same time last year.

These numbers will, of course, impact our revenue results for 2008, although it is too early to provide meaningful guidance. We can, however, make the following statements. We will have less revenue in 2008 than 2007. Although at this point in time, we cannot give a precise number or range. To the extent that our revenue is down in 2008, net income will likely be down even more as our operating leverage will be working against us. Again, we cannot give a precise number or range, it is too early to tell. To better exemplify what I am talking about, for example, if our sales end up being down 15%, our net income will be down more than 15%.

We are undertaking a number of actions on both the revenue and expense sides to mitigate the decline in revenue. Actions on the revenue side include the following -- increased marketing efforts to generate more leads; increased sales efforts to better convert our leads; continued expansion into other distribution channels.

On the expense side, a number of cost management actions in personnel and new projects have already been put in place. We have already stopped hiring people. We have eliminated positions and we are currently not filling open positions. We, of course, have had a project review and altered some projects that we are doing into the future.

We are researching and analyzing the drivers of this decline. Right now, we believe the following -- there are a number of external factors working against the people deciding to enroll their children in travel programs that cost over \$5,000, including -- the weak U.S. dollar is adding to the cost of the program. The high cost of oil fuel is adding to the cost of airline tickets. In fact, in many cases, the same program year-over-year has seen tuition increase by more than 10%, putting many of our programs in the \$6,000 range.

In addition, the wealth effect, whereby a key discretionary spending is driven by the value of peoples' homes is having an adverse impact on people considering buying our programs. And this is the first time in years that many people have seen the value of their homes stagnate or decline.

We also believe that part of the decline is driven by an unexpected decline in the performance of one of our named databases or sources of names. We are disciplined about testing elements of our direct marketing campaign before rolling them out on a national scale. So this database was tested prior to this fall and performed considerably better in the test than in the rollout this fall.

We would like to go into more detail about exactly what we are doing to recover some of the lost sales, but since we are in a very competitive market, I am reluctant to share many of the specific ideas on this call. However, I want to reinforce that we are taking actions that will increase our awareness, put us in front of more potential travelers and decision makers, expanding our mail campaign and working more aggressively to improve our customer retention rate.

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However, we do not believe that these actions alone or taken together can get us back to 2007 revenue level in 2008. I am sure that many of you want to know exactly how much we will be down year-over-year, and I understand that the street does not like uncertainty. So we want to provide some insight here. However, we do not have enough information at this point to provide definitive estimates of the impact. It is early in the process.

We will continue to take measures to mitigate these effects. And, we believe we are in a better position than others in the general travel industry and our competitors in the educational travel industry specifically. We believe in the resilience of this industry and this Company as demonstrated in the wake of 911, and will continue to address the current challenges we face to return to a growth path in the future.

Now, I'd like to handle the call over to Peg for a quick overview of the business results for Q3.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Good morning, and thank you for listening in this morning. The third quarter has two main focuses. The completion of our largest wave of travelers and the launching of our 2008 marketing campaign. During the third quarter, we traveled almost 25,000 delegates compared to 19,500 in 2006. The 26% increase came in all four product lines. We traveled over 40 countries and six continents in this period alone.

Summer travel went well. We are confident that our program quality is improving every year and meeting our delegates' expectations. Our surveys of our delegates, parents, and teachers came back very positive. In fact, if you distill all of our survey questions down to just one question -- the question of "would you recommend us to another family," the results came in at 96%.

In addition, this time of year, we hear from many families that tell us how proud they are of their child. Our programs are unique in that they educate students on the world around them, while teaching them the responsibilities of being away from home. Our parents tell us that the travel is just one element of the program. That we return to them a child that was more responsible, more aware, more conscious of others than the one they sent with us to start with.

Our students this summer alone worked around the world and contributed over 100,000 service hours to charities and communities that they came in touch with. In fact, this fall we had a number of delegations travel to Rwanda, where a few of the delegates stayed on a few weeks after their program in the efforts to help rebuild that country. We are proud of our programs and how well our teams have delivered these programs around the world.

Year-to-date, we have traveled approximately 49,900 delegates. We currently have 52,600 enrolled for 2007. These numbers include those delegates that have already traveled year-to-date. So, of the 52,600, we have traveled 49,900. Therefore, we have less than 2,700 remaining to travel in this calendar year if we do not have any more withdrawals. The majority of the remaining delegates for the year are expected to travel internationally, and our last delegation of the year is going to Antarctica.

For the 2008 marketing campaign, Jeff mentioned in his opening that the enrollments to date for 2008 are 26,200 delegates in comparison to 37,300 one year ago on the comparable date. For the 2008 marketing campaigns, our enrollments are down by close to that 30% on a year-over-year comparison.

We believe this decline can be attributed to the higher fuel prices and a weak dollar, and therefore a higher program price than a year ago, a decline in performance of one of our mailing lists, and the weakened U.S. economy. With that, I'll pass the call over to Chadwick for the financial review.

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Chadwick Byrd - Ambassadors Group, Inc. - CFO

Thank you, Peg, and good morning. During the third quarter of 2007, we traveled 24,475 delegates compared to 19,500 delegates in 2006, an increase of 26%. This growth came from all four program lines. Gross program receipts and gross margin increased 31% year-on-year.

Our gross margin as a percent of gross program receipts was consistent with the comparable quarter at 34.2%. The gross margin percentage was impacted by approximately \$3.6 million of fuel surcharges passed on to our delegates compared to \$2.6 million passed on in the third quarter of 2006. The average fuel surcharge per delegate was \$175, compared to \$143 last year. Gross margin as a percent of gross receipts for the year is expected to be consistent with last year at 35%.

Operating expenses increased \$2 million or 18% for the quarter. This reflects an increased marketing efforts for our 2007 and 2008 programs and planned investments in our organizational and technical capabilities, as well as, certain one-off costs associated with the move, duplicate expenditures on two facilities.

Operating income for the quarter increased \$8.7 million, or 37%. The decrease in interest income is due to lower average cash in investment balances, which was -- were approximately \$26 million lower than that a year ago due to \$35 million share repurchase earlier in the year and approximately \$20 million of capital expenditures in the last 12 months.

Total assets of \$126 million include \$86 million of cash and short-term investments. After allocating \$42 million of capital back to our shareholders in the first part of the year, we have increased our deployable cash \$35 million during the last two quarters.

The Company occupied its new office facility at the end of August. The total cost of this building is approximately \$18 million. During the month of October, we secured a long-term lease for our old office facility. Rather than carry a sublease ourselves, we agreed to a lease -- to a lease termination with our previous landlord, which will be effective at the end of October.

The total cost of terminating the lease two years in advance was approximately \$300,000. With the lease termination complete, the new facility will result in slightly lower operating costs for 2008 and forward.

Participant deposits, which reflect those delegates who have enrolled in our program, but are yet to travel, decreased 27%, which is reflective of the decreased enrollments we are also reporting. For 2007, we anticipate closing out the year between \$1.56 and \$1.58 earnings per share.

As discussed in our press release and within Jeff's comments, it is too early to tell the full impact the decreased enrollments will have on our 2008 revenues and earnings. However, we do expect earnings to be impacted more than revenues. I thank you for your time today. We will now turn the call back over to Jeff.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Thank you. At this point, we are ready to take questions.

QUESTIONS AND ANSWERS**Operator**

(OPERATOR INSTRUCTIONS). And the first question comes from the line of Mimi Noel, Sidoti and Company. Please proceed.

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Mimi Noel - Sidoti & Co. - Analyst

Hi, thanks, I have a couple of questions and I will apologize in advance for my scratchy voice. Would you first please elaborate on the underperformance of the list that you briefly mentioned? The student list with the names.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Sure, we -- overall, we get names from, if you take all product lines, probably 40 different sources. Maybe --

Mimi Noel - Sidoti & Co. - Analyst

Okay.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

-- closer to 50 different sources, there's some subsources in there. And, we test them all, we look at their performance, etc. And this particular list, we kind -- we had tested and expanded our usage a little bit and it was -- it was performing acceptably to be part of our mail campaign. And, at this point, it seems to be underperforming considerably where expectations are.

Mimi Noel - Sidoti & Co. - Analyst

Okay.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

The -- the -- if you look at our marketing process, and your write-up I saw that you attended information meeting last week --

Mimi Noel - Sidoti & Co. - Analyst

Yes, just Thursday.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

-- where there was a good crowd. The difference with this mailing list is not drawing -- not as many people are showing up to the meetings.

Mimi Noel - Sidoti & Co. - Analyst

Okay.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

As a result of it. So, we are tracing it back to the mailing list.

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Mimi Noel - Sidoti & Co. - Analyst

Okay. And can you -- this list would it -- does it account for the preponderance of the net that you cash for marketing? Is it -- or is it more to do with such a dramatic underperformance?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

It's not at all are most important list, but it is a critical component in our enrollment decline right now.

Mimi Noel - Sidoti & Co. - Analyst

Okay. And along those lines, the couple of elements that you mentioned that were detriments for 2008, could you prioritize them? Or put them in a hierarchy as to which ones had the most influence?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

You know, it's -- it's a really tough question to answer. We're trying to figure out how to quantify that. We're like you, I've been -- I've been on the road quite a bit the last month to these information meetings like you, and they feel like every other year we have a good crowd, they're interested in the programs.

But at the end of the day, we've done some extra surveys and follow up to people there and they just finding the programs a little too expensive this year. We're getting a little bit more of that commentary than we have in the past.

Mimi Noel - Sidoti & Co. - Analyst

Okay.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

It's hard to put a number on it or prioritize where it is, but that's what we're seeing.

Mimi Noel - Sidoti & Co. - Analyst

Well, even that commentary helps. And then, I just have one last question, I guess it's more a function of how your business usually works. Is it possible that parents are making the purchase decisions later in the process than that -- while they are showing up to these meetings and not sending in their initial deposit right away that maybe perhaps before Christmas, they could do so? Can you talk a little bit about the opportunity to make up the lost ground for the 2008 programs.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Well, we hope that they're making the decision later, but we're not finding evidence that supports that. That's one of the things we're -- we've obviously looked at. And, we study a lot of the meetings on a kind of micro-basis to see what's happening and we see that, in general, they are delaying the decision and actually not taking the -- not taking the decision. But like I said, it's early in the game. We're -- we're fighters, we're going to keep going after what we can get, but we do know it will be hard to make up the ground that we lost so far for 2008.

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Mimi Noel - Sidoti & Co. - Analyst

Okay.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

And, Mimi I'll add to that. But, we talked a little bit about expanding some of our marketing efforts. That is one of the things we are looking at, is going back to some of those families if some of this economic data comes in the right way or things start to change, we'll continue to go back to them with that opportunity. And, we don't know, obviously, if that will impact us for '08, but that's one of our marketing strategies going forward here.

Mimi Noel - Sidoti & Co. - Analyst

So there's not necessarily a drop dead date, so to speak, whereby the parents have to make a decision and can't go back on?

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

No. We have seen in the past though that cycle does happen very early.

Mimi Noel - Sidoti & Co. - Analyst

Okay.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

And that's been -- that's worked well for us. And now, we're changing -- the game has changed a little bit and we're trying to make those changes ourselves.

Mimi Noel - Sidoti & Co. - Analyst

Okay. That's helpful. And, I'm glad to hear you read the research. Thanks, Jeff.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Thank you.

Operator

Our next question comes from the line of Chris Hanaway with Gallatin Assets Management. Please proceed.

Chris Hanaway - Gallatin Asset Management - Analyst

Hello. I've got -- I have two questions. One is -- how much is the sort of new practice of sort of taking some of the management of the programs in-house. What impact would that have on the difference in the basically the negative operating leverage next year? And two is -- just to ask the questions. On your cash balances, are there any CDOs or CMBSs or anything like that that you are investing in that we should be aware of?

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Chris, apologies Chris. We've got a little garbled line here. Can you repeat your first question.

Chris Hanaway - Gallatin Asset Management - Analyst

My first question was simply in the past you've talked about changing how you manage some of the programs overseas in terms of bringing some of the people that run them sort of in-house. And with all the currency translation and inflation, how much sort of -- how much is that going to impact do you think sort of the negative operating leverage you talked about?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Chris, on that particular front in terms of operating more of the programs ourselves, that's not having that big of an impact. In fact that -- where we've been most aggressive taking it in-house is in domestic programs and those are performing better. And again, it goes back to their a less expensive program and they are priced in dollars and we pay in dollars. So we think from that aspect, those programs are not having as big of impact on the negative operating leverage.

And then your second question was about different types of investments we have, is that correct? CDOs and --

Chris Hanaway - Gallatin Asset Management - Analyst

Yes, do you have any like subprime stuff in your -- in the cash balances, what is, asking that question?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

Yes, and primarily, no we do not. So, most of our investments are going to stay within the municipals, auction rate securities that they recommend.

Chris Hanaway - Gallatin Asset Management - Analyst

Okay. Thanks.

Operator

And our next question comes from the line of Sam McKinley with Dougherty.

Greg McKinley - Dougherty & Company LLC - Analyst

Yes, it's Greg McKinley. Good morning, couple quick questions. First of all, we talked about your enrollments thus far for the '08 travel programs being down meaningful year-over-year and that marketing period really ramps up shortly after Labor Day with the beginning of the school year. Can you give us a sense for -- over what period of time those 26,200 have been enrolled?

I guess what I'm trying to understand is -- what portion of your marketing effort have you expended thus far? Maybe in terms of direct marketing mailings or some of the informational sessions? Just so we can get a sense, do you still have a fair amount of effort out in front of you such that if response rates changed that may change your outlook on the '08 travel season.

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Sure, I will -- let me kind of rephrase what I think you're asking and hopefully it gets at it. So our -- if you look at our various product lines, our largest and most profitable product line is the Student Ambassador Program. And when we talk about ramping up our marketing after Labor Day, it's focused on those travelers. And those are the two to three week international programs that take place over the following summer.

At this point in time, in terms of planned expenditures for 2008, most of those have hit the books already internally, although they have not played out in the marketplace necessarily.

And, as far as the information meeting goes, we're probably halfway through that schedule. And, although it takes a couple of weeks for a meeting to season or ripen, if you will, to understand what's really happened there. So, from a results point of view, you're really looking at the first third of the marketing campaign. We've worked on changing the meeting content, changing some little follow-up different things. We're trying a number of different actions to try to fine tune the margin there.

In addition, we've traditionally run a second campaign in January for the international travel. That's usually a pretty small campaign to test some new ideas. This year, we've expanded considerably. And you'll see some of those expenses in the fourth quarter of 2007 as well as in the first quarter of 2008.

So, we're working to make it up. We obviously have a lot of quality leads of people who've attended meetings or said they'd be interested in attending the meetings. We're working on how to go back to those folks. We're also working on generating new leads as well.

Greg McKinley - Dougherty & Company LLC - Analyst

Okay. So, I think just to recap. You probably have delivered over half of your informational meetings, although you think there might be some time yet to understand how those end up reflecting enrollments. But you've spent over half of your direct marketing budget, if you will, or you've mailed over half of your scheduled mailings.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Mailed -- mailed well over half. Close to all of the scheduled mailings.

Greg McKinley - Dougherty & Company LLC - Analyst

Okay.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

And I only use schedule in terms of -- cause obviously right now, we're looking into doing some things we weren't planning on doing.

Greg McKinley - Dougherty & Company LLC - Analyst

Yes.

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

But the scheduled stuff. It's most -- for the most part, has gone out the door.

Greg McKinley - Dougherty & Company LLC - Analyst

And with, with the one name source not performing well, given where we are in the marketing program relative to when the travel will occur, is there still sufficient time for you to identify new potential name sources that could be -- that could be more effective? Or -- or is that --

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Yes. Those are the types of sources we're adding in January. We even pulled some of the ineffective sources names from our campaign this fall, although the majority of them had gone out already, but we did do some adjustments on the fly as well.

Greg McKinley - Dougherty & Company LLC - Analyst

Okay. Can you talk a little bit about your cost structure? When we look at program delivery costs as well as other operating costs particularly sales and marketing, how variable versus fixed will those behave? I assume the program delivery costs are essentially 100% variable, or pretty close to it. How -- can you a) correct me if I'm wrong there, but then also comment on how you expect sales and marketing costs to behave with the traveler volume in '08?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

So, you're correct, Greg, obviously on the program delivery costs. Those are extremely variable. If we're not traveling, we're not spending. And if we don't have individuals that are signing up for our programs, then there's a lot of associated costs that go with that, that are no longer going to be there. But as we look to 2008, obviously, we've said that it's too early to tell. We're taking a number of actions that will possibly skew how we have trended in the past. This is going to be an anomaly year for us.

And, so when we look at those costs -- of costs to market as we would call it, those will -- those will vary over time. And I wish I could give you more details, but it is going to be a reflection of the programs and the marketing effort that we've put in place now as well as the rest of 2008.

Greg McKinley - Dougherty & Company LLC - Analyst

Okay. Thank you.

Operator

Our next question comes from the line of Sam Nicholls with W. Quillen Securities. Please proceed.

Sam Nicholls - W. Quillen Securities - Analyst

Good morning, Jeff, Peg, and Chadwick.

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Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Good morning, Sam.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Good morning, Sam.

Sam Nicholls - W. Quillen Securities - Analyst

I was wondering if -- my first question, if we could look back to 2002 and '99. If you could remind me, Jeff and Peg, when you joined the Company.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Sure. I joined in -- almost exactly 12 years ago.

Sam Nicholls - W. Quillen Securities - Analyst

Okay.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

12 years and two weeks ago.

Sam Nicholls - W. Quillen Securities - Analyst

Okay. Do you happen to remember in those years -- in 2002, delegates traveled were down 13%. Following of course, 9/11/2001, a year you'd expect to see probably the worst business conditions you would see. And the second worse was in '99 when delegates travel declined 6%. I was sort of wondering if you recall in the third quarter of '01 or the third quarter of '98, how delegates -- excuse me, enrollees to date compared back then year-over-year to what we are seeing now. I mean, right now it's down about 30%.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

It's hard -- Sam, I guess, first of all, I do remember. So I guess that's a positive sign. Second, when we look back to the Fall of 2001, so if I took the most recent one. 9/11 happened on September 11th and we only had a few meetings at that point in time. And, so what we had was a -- and we cancelled that week, I think approximately 44 or 45 meetings. That was on a Tuesday and then we had all first meetings on that Saturday, and right off the bat, attendance was down, enrollment was down. But because of that big gap and the really different timing between mail campaigns, today six years later and then, it's really hard to compare where the figures are.

But, what you saw in 2001 was kind of a gradual catching up as -- we did a couple things. We -- we obviously went back into the mail campaign full force. People got away from what had been an incredibly visual event on TV and started to feel differently about travel is our -- what we heard and what we suspected. So you kind of saw it bounce back a little bit.

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We also were able to change a lot of our destinations that year away from what we guessed, and it was a guess at that point in time, would be less positive places like London and Paris, where we believed that people would associate that more closely with future terrorism. We shifted more towards Asia and the South Pacific. Which those did turn out to perform slightly better. What's different today, and I think this important.

What's different today is that you have, I think, just less willingness to spend on the program. And, because if you look at the dollar against the main currencies that we operate. You've got the euro, the British pound, and the Australian dollar, it's at record lows or near all time lows against all those currencies, so there's not a better place to go in the world. In addition, you have airline prices up fairly aggressively, fuel surcharges. So you've got a lot of things that make it harder to move people around and kind of probably won't change your decision making in the short term.

Sam Nicholls - *W. Quillen Securities - Analyst*

Okay. Do you happen to recall, in third quarter of '01 or '98, how much enrollees to date have been down versus the prior year?

Jeff Thomas - *Ambassadors Group, Inc. - President, CEO*

If you're asking -- I don't have the exact number with me from the Fall of 2001 or from the Fall of 1998.

Sam Nicholls - *W. Quillen Securities - Analyst*

I'm curious if they closely tracked the 13% decline in delegates traveled in '02 and 6% decline in '99.

Jeff Thomas - *Ambassadors Group, Inc. - President, CEO*

It was never this dramatic as what you're seeing now.

Sam Nicholls - *W. Quillen Securities - Analyst*

Okay. Was there any change to pricing in the third quarter versus a year ago? Do you pass through most expense increases due to the weaker dollar and raise your prices or did you hold on your pricing?

Jeff Thomas - *Ambassadors Group, Inc. - President, CEO*

Yes. And I think I talked about that in the narrative that there's a lot of changes in the pricing because the dollar's up even though we hedged the dollar. We did pass along some of that cost. You have airline prices going up, which we anticipated.

In addition, that past industry practice had been to exclude the airline fuel surcharge from the initial pricing, and guidelines from the Department of Transportation say that you now have to include that upfront. And so, we've included that upfront, which I think this Fall is another 3% on top of the program price that people are seeing right away. So, you're looking at prices moving over 10% for the same program a year ago.

In fact, obviously this is very tactical, but when I went and visited a lot of the meetings, I got into conversations with the parents. And I remember one of the parents saying to me, I've sent my daughter three years in a row, and I want to send her next year, but it just feels like the program price is gone up so much in the last three or four years. And, we talked about the dollar and the costs of travel. But, that's the kind of decision maker we're talking about.

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Sam Nicholls - *W. Quillen Securities - Analyst*

Okay. And, last question about the database that you spoke of that didn't quite pan out. Did you -- did the mailers you sent out to that database detract from mailers that you otherwise would have sent out to your existing databases? Or did you -- or was this something you did in addition to your normal efforts with your other databases?

Jeff Thomas - *Ambassadors Group, Inc. - President, CEO*

It was an incremental effort, if I think that's what you're asking.

Sam Nicholls - *W. Quillen Securities - Analyst*

So, it didn't detract from your efforts with the other databases?

Jeff Thomas - *Ambassadors Group, Inc. - President, CEO*

I'm not sure when you say detract, what that means. But we continued --

Sam Nicholls - *W. Quillen Securities - Analyst*

For instance, a mail order for the new database, a mailer -- any given mailer that you sent out to that, is that -- would that have been a mailer that you would have otherwise sent to somebody else in one of the databases? Hence, you lost a lead.

Jeff Thomas - *Ambassadors Group, Inc. - President, CEO*

I think -- I think -- I think I understand your question. So, we continued on our other databases and as we worked to grow, we obviously try to find the best sources of names possible. This one fared fairly well in our testing. So we added it. I don't think -- I think we would have added a different database rather than saying that we took from existing databases. Do you follow that? So we could have added database A or database B, but we added database A, which turned out not to perform as well.

Sam Nicholls - *W. Quillen Securities - Analyst*

Okay. Okay, I see. Okay. And lastly, can you share with us, where you got that database from?

Jeff Thomas - *Ambassadors Group, Inc. - President, CEO*

We feel that would be a public service announcement to our competition. And, we're not willing.

Sam Nicholls - *W. Quillen Securities - Analyst*

Right. You want them to use it. Okay. Thanks very much, I appreciate it.

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Operator

Our next question comes from the line of Gerry Heffernan with Lord Abbett. Please proceed. And, Mr. Heffernan, your line is now open.

Gerard Heffernan - Lord Abbett - Analyst

Hello. How are you? I have to apologize. I'm still not understanding this additional database thing. I mean, going back to what the last caller said, did -- I mean, did you have a target number of mailers, and say okay, I'm going to use so many from this list. And, therefore, that took away from the number that you may have used from another list?

I mean, we're not talking about being not as successful as planned here. We're talking a huge reduction. And, I'm really having a lot of difficulty understanding how we get such a large reduction in the enrollees and where exactly things are to blame. I mean, if numbers didn't grow that's one thing. And we see pricing, and we see some efforts here that didn't pan out. But this reduction is extraordinary.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Though I'm -- can I -- I'm trying to follow your question.

Gerard Heffernan - Lord Abbett - Analyst

Okay. The database that is being talked about. Of the 20 some plus reduction in the enrollee count right now. How much weighting do we put of the negative situation into this database problem?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Like I said. It's really hard to quantify exactly how many came from that database and how many came from we think what are economic reasons and environmental factors.

Gerard Heffernan - Lord Abbett - Analyst

Okay. Guys, your stock price is down 40%. We need some sort of information to help us make some decision as to where your business plan goes from here and whether or not we should be buying shares or capitulating to the market and dumping everything. We need a little bit more. You talk about the overall program prices. The overall program price, year-over-year on average up 10% is that what you're saying?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

I think I said greater than 10%, yes.

Gerard Heffernan - Lord Abbett - Analyst

Okay. How much greater than 10%? Is it greater than 15% or 20%?

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Around 12% or 13%.

Gerard Heffernan - Lord Abbett - Analyst

Okay. And what was the price increase last year over the previous year?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Talking 3% or 4%.

Gerard Heffernan - Lord Abbett - Analyst

Okay. So the previous year, when enrollees were up 20 some percent, that was -- that was able to overcome a 3% to 4% increase. That's correct?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Gerard Heffernan - Lord Abbett - Analyst

Okay. Now, is there any geographic region or any geographic area where the enrollee count seems to have fallen more noticeably than others?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

We've looked at a variety of segments of -- in terms of age groups, destinations, geographic areas, you name it, we've looked at the different segments. And, we cannot pinpoint any segment that's performing in general better or worse than the others. It's in general down.

Gerard Heffernan - Lord Abbett - Analyst

So this is just an all over, regardless of how you slice it, we're down 20 some percent.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Gerard Heffernan - Lord Abbett - Analyst

Okay. And let me ask this, can you give me an idea of enrollees, and I may be -- what percentage of enrollment is U.S. going international? U.S. going U.S. ala a domestic program, and international coming to U.S.?

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So, what percentage are outbound U.S. travelers is about 70% to -- I'm looking at 2007 numbers, so we're looking at the composition of last year's numbers, about 70% to 74%. And then you've got domestic at about 25%. And then you've got a couple of percentage points making up the inbound.

Gerard Heffernan - Lord Abbett - Analyst

Okay. Is the reduction in enrollment, is it all in the U.S. outbound? What's going on with the enrollment for domestic programs?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

The vast majority of the reduction is in international outbound.

Gerard Heffernan - Lord Abbett - Analyst

Okay. Domestic, is it up or down?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Domestic is up in terms of performance.

Gerard Heffernan - Lord Abbett - Analyst

Okay. And what about inbound?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

In inbound, it's too early to tell. They market it at a different point in time.

Gerard Heffernan - Lord Abbett - Analyst

Okay. Given the weakening dollar situation and that occurring for over the course of a couple of years now, have we missed an opportunity here? Should we have been ramping up an inbound program more so than what we have?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

We are -- like I said, we are ramping up an inbound program as we are.

Gerard Heffernan - Lord Abbett - Analyst

Right. Okay. Going back to the last conference call, you had talked about expenses. And you talked about an increase in online advertising, an increase in IT capabilities and staff that this will help you internalize more of the direct mail efforts. That statement there seems to kind of jump up as a red flag that you went to take on some of this stuff yourself and just simply were not successful, and that perhaps should have been using the outside services. Can you comment on that?

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

I'm not sure why you draw that conclusion. What I -- and Mimi and I at an earlier question talked about the fact that we're getting good audiences at the information meetings, which is really what the direct mail piece drives. It drives interest, drives people to meetings. And I think in her report that we just talked about, she was at a standing room only meeting. So I think those things are driving forward.

The online things that we're doing, so the first thing you have to understand online, it was purely defensive move when we started to do that, because we don't think people in general buy a \$5,000 product online when they're traveling in an environment like this. But our competitors were trying to capitalize on our brand name by buying our brand names.

So the first thing that we did was block the competitors out by controlling our name. Then the second thing we started to do was play a little more offense online, where we're generating a lot of visits, but quite honestly not a lot of enrollment to date.

Gerard Heffernan - Lord Abbett - Analyst

Okay. What are the attend -- meeting attendance numbers like? How do they compare year-over-year?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

In terms of numbers, they're up and down a little bit, but in general they're pretty strong.

Gerard Heffernan - Lord Abbett - Analyst

Come on, I need something better than that. What does that mean? Are they up year-over-year? Are they flat year-over-year? I mean, just the total account of people that come -- attending these meetings, where are we at comparatively?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So, one of the things we talked about earlier that in terms of where attendance is and where we are with meetings. We only have a snapshot into the early part of the season in terms of exactly how many people attend in terms of how were you able to track that.

Gerard Heffernan - Lord Abbett - Analyst

I'm sorry. Say that again.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

We can't give you a good count at this time. We have some meetings that are up and some are down -- overall, they seem to be holding.

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Gerard Heffernan - Lord Abbett - Analyst

With the difficulty, going back to that mailing list that is suspect, with the difficulty of that list, is it a issue that you're saying the completed sale is the problem or the list as far as getting people to the program -- getting to the meeting from that list is a problem?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Generating the initial interest.

Gerard Heffernan - Lord Abbett - Analyst

Is a problem.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Gerard Heffernan - Lord Abbett - Analyst

Yet, despite that, you're saying that it seems that the numbers of attendants are still good.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct, because we have other areas performing.

Gerard Heffernan - Lord Abbett - Analyst

Right. So if the enrollee count is down by this very large number, while the attendance at the meetings is basically the same, I'm not sure how that list is really a problem in any way, shape or form.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Well, cause we can actually track many of the people who are replying and following them through the process. And we can see that they are replying at a disproportionately low rate. Much more disproportionate than anything else we're seeing.

Gerard Heffernan - Lord Abbett - Analyst

Right. But they're not the reason that people are saying no. I mean, you're still getting the same number of people to show up and listen to the pitch, you're just getting a much lower conversion rate.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

That's not necessarily true, and that's why, I think I said, some meetings are up and some meetings are down. We're getting a good number of people to show up and learn more about the programs, but in general those people are not coming from the suspect list.

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Gerard Heffernan - Lord Abbett - Analyst

Right. But, I mean, I'm just trying to step back and take this as big picture. Last year, you had so many people show up to the meetings and from that group of people you had a certain conversion rate.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Gerard Heffernan - Lord Abbett - Analyst

And you're saying, this year, the number of people showing up to the meetings is approximately the same.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Gerard Heffernan - Lord Abbett - Analyst

Yet the conversion rate is much lower.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Gerard Heffernan - Lord Abbett - Analyst

The mailing list that you subscribe to, their purpose is to get people to the meetings, the attendance levels.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct. And let's be real clear. Again, we go back to the mailing list. We use a variety of sources. This one was a larger source. Not the most important source. And some lists are performing -- outperforming where we thought they were. Some are performing where we thought they were. Some are down a little bit. This one happened to be way down. And you know it's a mailing list problem, because you don't get people to take the first step.

Gerard Heffernan - Lord Abbett - Analyst

Right, but still going back to the -- my initial question. Are the number of people in attendance at these meetings relative the same as last year? And your answer was yes.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Yes.

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Gerard Heffernan - Lord Abbett - Analyst

So, we're being --

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

We thought -- we thought the meeting attendees would be significantly greater than last year's attendance.

Gerard Heffernan - Lord Abbett - Analyst

Okay. But even --

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So that's maybe where there's the disconnect.

Gerard Heffernan - Lord Abbett - Analyst

Okay. That's fine, but still, I mean, the fact that we have the same number of people showing up, we have a huge reduction in conversion rate.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Gerard Heffernan - Lord Abbett - Analyst

I mean, if it was the same number of people showing up and the enroll -- conversion rate was the same, then the issue is that our plan for growth was scuttled because this additional mailing was -- didn't get the additional people there. But right now, it's -- it seems to be much more of a conversion rate problem, which comes back much more down to either price or the type of program being offered. Should the programs have been changed?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Well, we're looking at the various price offerings and the international programs, we have a variety of price points out there not performing all that differently by price point.

Gerard Heffernan - Lord Abbett - Analyst

Could you elaborate on that please?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

I don't know what else I can say. So, we have some programs that are in the \$4,000 range, some are in the \$6,000 range and they're not performing all that differently in terms of buying.

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Gerard Heffernan - Lord Abbett - Analyst

So the -- the conversion rate is equally as poor regardless of the price point of program offer?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

On the international outbound programs.

Gerard Heffernan - Lord Abbett - Analyst

Which is where we said all the problem is, so.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Gerard Heffernan - Lord Abbett - Analyst

Okay. Gentlemen. I -- I have to -- just on a commentary. I'm finding it very hard to understand exactly what the problem is here and I find it very difficult to -- to step in and give you guys any support on what you're describing as being a very hazy at best business plan to attack this problem. I am currently a disappointed shareholder. Thank you very much for your time.

Operator

Our next question comes from the line of [Justin Binshu] with [Clearwater Equity Group]. Please proceed.

Justin Binshu - Clearwater Equity Group - Analyst

Good morning.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Good morning.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Good morning.

Justin Binshu - Clearwater Equity Group - Analyst

I had a question about you going back to this topic of changing your programs. Most of your programs are to Europe, the UK, and Australia. Have you considered changing the program destination at all to areas where the dollar is not as weak, say South America, Central America, where the dollar has more purchasing power?

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

We have considered that. In fact, next year, we're offering, for example, a sports program to Brazil. We're offering more programs to Asia where the prices have not -- where the dollar has not moved as much. So we are looking at a number of different alternatives.

Justin Binshu - Clearwater Equity Group - Analyst

Okay. And, just kind of a follow-on as well. You said that regardless of price point, the conversion rates or the success rates in selling a program is equally as poor if -- but earlier in the call you mentioned that programs in general are too expensive for the parents. If that -- if programs in general are too expensive, why are we not seeing more lift from the cheaper programs? You would think that the cheaper programs would be more popular than the more expensive ones.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So, let me try to make sure I'm very clear about what I'm saying. So on the international outbound programs that are in general in the \$5,000 range, and some are less than that and some are more. The conversion is equally poor on all of those programs. For programs that are U.S. -- inbound U.S. travel only, we don't see the same impact there. But they're significantly lower priced. They're probably half of that price point.

Justin Binshu - Clearwater Equity Group - Analyst

Of the outbound programs, what is the range of price that you have offered. Is it basically \$5,000 to \$6,000? Or is some as low as \$3,000 to \$4,000? Or, what's the price point differences?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

On the international outbound programs, the upper bound -- I mean the upper bound, we have programs to Antarctica that are not obviously a huge seller, but we offer them. They are in the almost \$8,000 range. And then we have the vast majority of the programs in the \$4,000 to lower \$6,000 range.

Justin Binshu - Clearwater Equity Group - Analyst

Okay. Thank you.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Thank you.

Operator

Our next question comes from the line of Andrew Boord with Fenimore. Please proceed.

Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Hey guys.

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Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Hey Andrew.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Morning Andrew

Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Good to hear you. I'm sorry you're having such a tough day. I kind of remember the 9/11. We owned the stock back then and I remember the job cuts were pretty drastic at that point. And, you're saying that enrollments to date look worse than even then, if I understood that right. Should I take that to mean that the headcount reductions might be fairly sizable this time around as well?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

No. I think we -- we react in a different way, and we're in a different situation at that -- at that point in time. As I talked about earlier, we've already eliminated a number of positions. We stopped filling vacant positions. We've not making any new hires as well. We've eliminated projects for next year. One of things that we saw in the wake of 9/11, as we thought it would be more prolonged -- prolonged recovery. We're looking at doing a number of actions that still hopefully will make 2008 look better than the numbers today would look. And we need the people in place to pull those things off.

Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Okay. And, I guess I'm not exactly clear on some of the international -- the marketing to international students who come inbound. Are you saying, they then come to the U.S.?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So we have -- we have programs, as you know, throughout the United States. The vast majority being kind of in the Atlantic corridor, Washington D.C., New York area. And, we market to students to come to those leadership programs in D.C., New York, places like that. Los Angeles, in fact, as well. And we've stepped up our mark and they're obviously a small percentage of our overall pool, but we are looking to grow those as well.

Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Can you add capacity, if you decide to really market those pretty hard? Do you have the capacity to actually implement those?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

The capacity is easier to add than touching the people overseas. We have an incredible success rate when we're able to connect with students overseas. It's just working on getting those leads and then following up on that.

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Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Okay. And that's where the marketing happens in January that you spoke of?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

The marketing for the international inbound programs doesn't really happen in as big a lumpy way as some of the other ones. It happens in a little more smooth pattern as we get leads that come in, we follow up on those. But we will be marketing those in January, yes.

Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Okay, then tell me a little bit more about the January marketing push. I guess I was unfamiliar with that and I don't know much about it.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So, kind of historically, if you go back in time in general, we used to market out international programs from basically Labor Day to almost mid-February. And, we saw an advantage to continuing to compress our marketing cycle. So we marketed earlier. We were able to catch people before they plan for their summer.

Eventually, almost all our marketing was done prior to the holiday season. We saw there was an opportunity to do more marketing in January, different decision makers, different groups to reach out to. So, we've always -- for a number of years, we've had a small January campaign that we've run.

And this year, we're working on expanding it considerably, focused on international outbound programs. And, we're trying a number of different things there so we're not just offering the same program with the same price, the same deposit schedule, etc. And we're still working on those plans there.

Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Okay. And, forgive me, I've got a lot of weird little questions, but -- I remember the last time around, we had a big, difficult period. A lot of your peers suffered and were even using their deposits to kind of get through. And I never really checked back, I guess, how many of those actually went under. And, what would a similar downturn do today. Could that actually -- take out the peers?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

One is, a lot of them -- a lot of them took years to recover to pre-9/11 levels and some are just back at that level today in fact. And, a lot of them ended up at a very different price point from us in terms of what they're offering, where they are. They are offering a lower priced, lower margined program. Much less quality built into the program.

So, at this point in time, where the issue about traveling internationally, at that point in time, was maybe more about safety and destination. This point in time, we feel there is a strong belief about costs to travel and, at this point, maybe they have an advantage offering those programs that we're not offering right now. And we are looking at how do we respond to that.

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Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Okay. And I'm sure you've studied the math, and I'm sure you've come to the conclusion, but I want to ask anyway, I guess. Does it make sense to cut price maybe 5% or something to kind of cancel out some of this? You maybe have a lower margin, but is the economics to the firm better?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Yes, we're obviously looking at that, and it's too early to tell if that's kind of a long term right course of action. But we're trying different things. And that's one of the reasons why we have different price points out there in the marketplace. And so you do get a bit of a test in terms of where the price is.

Andrew Boord - Fenimore Asset Management, Inc. - Analyst

Okay. All right, I appreciate the feedback, and you hang in there.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Thank you.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Thank you.

Operator

Our next question comes from the line of James Bellessa with D.A. Davidson & Company. Please proceed.

James Bellessa - D.A. Davidson & Co. - Analyst

Good morning.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Good morning Jim.

James Bellessa - D.A. Davidson & Co. - Analyst

The underperforming list that you talked about this day. You said you tested it. What did you do to test? And what is different between the test and now? And what is it that this list that you're using differs from the other list? How does it differ and what is it, the person doesn't go to school and doesn't live in a house and doesn't have a job or something?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So, Jim. On the list in terms of what's different between now and test. I guess that's one of the big questions out there. And when we look at what's different, there's two differences. One is that we used a lot more of their names than we did in the test.

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As I mentioned, it was an expanded roll out. So that's clearly a different thing. And so did the quality of their names deteriorate as you expanded. And then, secondly, in terms of the other thing that could be different, obviously, we're in a different environment than we were when we tested it several months ago. Almost a year ago, in fact.

And then your question about what could be wrong with the list. There could be a variety of things wrong with the list. The names could have been sold much more frequently. The cleanup that a good list or database manager does, maybe that didn't happen. I think it's about 8% of their people change their address every year. Which means you've got about 4% every six months. So you have a variety of things that could go wrong with the list. We're obviously working with that student database organization to figure out exactly why it differed so dramatically from our test.

James Bellessa - D.A. Davidson & Co. - Analyst

You indicated that there's an agency of the government that's saying that you have to include the fuel surcharge in your tuition. Did I hear that correctly?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So, there's -- the Department of Transportation looks at some of the pricing issues. And so what really started out as an online issue, where people buying travel online, and someone would maybe offer roundtrip ticket from Chicago to London for \$999 online and then they didn't know there was a \$300 fuel surcharge on top of it, which they got it at billing or invoice time.

And then, someone else would be offering that same ticket online with the fuel surcharge and so the DOT came in and said, to the extent you know about a fuel surcharge, you've got to include it in your upfront price, and you can't say there's going to be one, you can't say we'll give it to you later. You've got to make sure that you're including it up front.

James Bellessa - D.A. Davidson & Co. - Analyst

2007, you've had a terrific year, and your prices went up 3% to 4%. They didn't include the surcharges. But now in '08 year they do or will have to?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

They -- they did not include the fuel surcharges at the time of marketing, because we didn't have as good as information and the DOT had not come down with its edict. And so, people -- we said there would be a fuel surcharge, but people didn't see it until later on in the process. And then, as the DOT has been more aggressive, obviously, travel operators like ourselves have been more aggressive about finding out what it's going to be.

James Bellessa - D.A. Davidson & Co. - Analyst

The 3% to 4% increase in your costs of your programs in '07, does that exclude or include the surcharge ultimately having to be paid.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

It excludes it, because what we were talking about in that particular conversation was comparison what the family would see when they came to an information meeting.

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James Bellessa - D.A. Davidson & Co. - Analyst

And, the 12% to 13% increases this year do include the surcharge?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

James Bellessa - D.A. Davidson & Co. - Analyst

And, you've hit a barrier perhaps, a \$6,000 barrier. Will you tamper with the pricing of your product?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

No. Jim, we're obviously looking at a variety of issues here and as I mentioned earlier, we're are marketing programs that are considerably less than \$6,000.

James Bellessa - D.A. Davidson & Co. - Analyst

And I heard, or I read in your press release that your enrollments for next year's programs are down 30%, but over the call I've the heard the 20% figure, or 20% plus range. What -- is there another figure out there that I should be looking at that's in the 20% decline.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

I believe one of the people on the call asking the question mention the 20% number. We -- our press release is accurate and that's the number that we have.

James Bellessa - D.A. Davidson & Co. - Analyst

And withdrawal rates, did you mention that? Is that something that I missed? Was that a 30% rate? Is that different than a year ago's figure?

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

No, it's about the same, Jim, year-over-year.

James Bellessa - D.A. Davidson & Co. - Analyst

It's in the low 30s is it, or is it 30%, or what is it?

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

It's about the low 30s, you're correct.

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James Bellessa - D.A. Davidson & Co. - Analyst

The low 30s, okay. And then on the building. You paid \$18 million for that. And then you've told us about, you've entered into a long-term release arrangement in October and there were lease termination costs of \$300,000. Is that a third quarter or fourth quarter event?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

That's a fourth quarter event. And I want to clarify to Jim to make sure you understand. We were able to secure a long-term lease for the previous landlord, however, we decided, we thought it would be best if we just got out of that lease altogether. We would rather be in the student travel educational travel business rather than the real estate market. So we vacated that lease for total cost of \$300,000, which will hit us in the fourth quarter of this year.

James Bellessa - D.A. Davidson & Co. - Analyst

And that's why your guidance is a little lower than -- you had a good third quarter that exceeded expectations slightly and then this \$300,000 is going drag the fourth quarter down some.

Chadwick Byrd - Ambassadors Group, Inc. - CFO

That's correct.

James Bellessa - D.A. Davidson & Co. - Analyst

Okay. And then your stock's down somebody cited 40% or so today. You've been active in share buybacks in previous times. What is your sentiment now?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Well, we obviously look at it on a continuous basis and looking at the price today, it's a much more attractive buyback. And, I imagine, we'll be looking at that over the next couple weeks as a good use of our cash possibly.

James Bellessa - D.A. Davidson & Co. - Analyst

Thank you, very much.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Thanks, Jim.

Operator

Moving to our next question, comes from the line of Mimi Noel with Sidoti and Company. Please proceed.

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Mimi Noel - Sidoti & Co. - Analyst

Hi, thanks. Just two more questions and this first one following on a couple of questions that were already asked. Would you consider, I guess, revamping your programs a little bit, perhaps truncating them instead of 14 days, I don't know maybe seven days, so that you don't compromise on the quality, but you can make them less expensive without getting crushed on margin perhaps?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So, again, were talking where we're having the biggest challenge on the international outbound programs that are in general 20 to 21 days long. And we are already marketing some 14-day versions of those in anticipation of two things -- one is where the dollars move and pricings move, but also in addition is families get busy over the summer and the students get more and more booked, it's harder for them to take off for three weeks.

Historically, if you go back years and years, our programs in the summer use to be six to eight weeks long. So there is kind of a general shortening of the program where kids are just -- have much fuller schedules than historically they have had.

Mimi Noel - Sidoti & Co. - Analyst

Okay. And then I don't know if you can disclose, but can you tell -- say how much money that you spent on this customer list that did not pan out as projected.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

In terms of purchasing the names in the grand scheme of things, it's not that big a number. What -- it's obviously the -- in terms of mailing the letter, it's the postage is obviously the biggest expense. And obviously, it's a lost opportunity of this fall during one of the key marketing seasons.

Mimi Noel - Sidoti & Co. - Analyst

Okay. That's all I have. Thanks again.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Thank you.

Operator

Our next question comes from the line of Alan Brochstein with AB Analytical. Please proceed.

Alan Brochstein - AB Analytical Services - Analyst

Hi. I'm wondering if that list was the people that had taken out third mortgages on their homes, maybe. I was just kidding. The -- I have just -- I have a few questions. First of all, what would it --

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Hello?

Operator

Mr. Brochstein, your line is open. The next question comes from the line of Steven Boyle with Royce. Please proceed.

Steven McBoyle - Royce & Associates, LLC - Analyst

Steven McBoyle, can you hear me?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Yes, yes we can.

Steven McBoyle - Royce & Associates, LLC - Analyst

You had mentioned that in '02, you had down 13% enrollment and yet were down 30% year in '02. Can you tell us the headcount reduction that took place and why again you are "reacting" differently this time just given the order of magnitude?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

The -- I guess that we believe it's a very different situation that we're in as I mentioned before in terms of our ability to recover and do different things. We don't think you can shrink your way to greatness. When we think in the wake of 9/11, it was time to get small. It was time to revamp a little bit. Here, we think there's still a lot of opportunities out there in the marketplace that if we keep moving we can try to recover some of the lost ground for 2008.

Steven McBoyle - Royce & Associates, LLC - Analyst

Okay. With that statement, I'll come at it a couple of ways. The headcount reduction that you had put in place in '02 was what sort of headcount reduction? Number of heads percentage decline.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

About 30%.

Steven McBoyle - Royce & Associates, LLC - Analyst

And enrollments in this situation relative to '02 are again greater than twice the decline as been referenced on the call that the tenure of management there being 12 years that this is obviously clearly the largest decline and yet there was a strategic decision back in '02 to make what is obviously a substantial headcount reduction of 30% and not this time around. You have to help me with, it's different.

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Oh, a couple of things. I think if I shed some more light on it. If you look at terms and you kind of compare, I think you're going to get probably ultimately about a 20% reduction from where we were looking at being about three months from now in terms of eliminating positions that we were adding, not filling open positions and not hiring.

So I think your -- I think your -- there's much more aggressiveness there than you see. The second thing is the Company is structured differently today in terms of where the headcount is and in terms of our ability to make sure that we can recover more quickly where you can save money.

Steven McBoyle - Royce & Associates, LLC - Analyst

Okay. That's helpful. Following that thought, in an earlier part of the call, you talked about for example, if sales are down 15%, earnings will be down more than 15%. Can you give a little more granularity in terms of again, coming from the perspective of not inspecting this business for a number of years, what the business model ought to look like from an operating leverage perspective in terms of every incremental dollar down, percentage fixed variable or what percentage of operating income decline you would see?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

I think one -- one we want to make sure that we're in this for the long term. And, so as we go through and we learn more, we're going to learn more about the 2008, where our revenues coming, but also early in 2008, we'll learn about what's happening with 2009. And, that is one of the advantages of our business model that we do get view into the future.

We will continue to look at everything, not just headcount, but all of our operating expenses and make sure that we make the appropriate reductions, but we also invest appropriately. And, right now, we're all about allocating capital, allocating capital -- the rights amounts back to our shareholders, the right amount to our marketing campaign, and the right amount in our personnel line.

Steven McBoyle - Royce & Associates, LLC - Analyst

If asked a different way without having a model in front of me, is there any reason the leverage that you have so shown over let's say the last two, three years that the incremental leverage on a dollar increase in revenue is going to be equal on the way down? Or is there something structurally in terms of fixed costs to variable costs in terms of a business model today relative to what it was three years ago that would make that dynamic different, i.e. worse on the downside or less worse?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

Again, we think that's going back to a longer term view. We can take a short term view and try and prop up 2008 earnings in a very short term, but we don't think right now that is the appropriate thing for us to be doing. We think that we do have leverage. We have leverage going up. We do have -- not as much leverage on the way down in a short -- in a shorter term view.

On a long-term view where it was in 2000 -- after 9/11, there was uncertainty in the marketplace and we actually after that realized that we had probably cut both our personnel and marketing expenditures more than we should have and actually impeded growth for 2003 after we did that. We do not want to make that same mistake for the long term interest of the business.

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Steven McBoyle - Royce & Associates, LLC - Analyst

Okay, that's helpful. Again, not having inspected the business for a number of years, would you say just generally speaking that the opportunities set ahead of you over the next two, three years is equal to that which it was back in '02?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

We think if conditions get a little more favorable for us, yes. We think that the long-term outlook on what we're doing in terms of there's about 30 million people 12 to 18 years old, being more global, more international is more important than ever. Parents wanting to see more safety around their children when they travel. Parents needing to do more to educate their children outside the classroom, because of things like No Child Left Behind. We think all those good things -- all those things are good indicators for us in the long run.

Steven McBoyle - Royce & Associates, LLC - Analyst

Going back to this issue of conversion rates. Do you in any way offer up a formal survey of those that attend the informational session, the reasons why they did not go through to enrollment?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

We have done some surveys on that and that we're I think I alluded to that in an earlier call where the overwhelming reason was financial or price of the program. In general, people walked out of the program liking it, feeling it was safe, feeling it was good for their son or daughter, but it was just too expensive right now. And we don't, to be fair, we've done some of those surveys every year, but we don't -- it's hard to say this one's comparable to last year cause we did it under a little bit different circumstances. But we do think it's a bit of a different answer than we would have heard last year. Or it is a significantly different answer, I should say, than we have heard last year.

Steven McBoyle - Royce & Associates, LLC - Analyst

Not to beat this issue to death, but obviously the conversion rate issue is the crux of the situation here given the relatively equal attendance year-over-year. In those surveys are there four or five categories that people can kind of [pick], the reasons are priority high to low, one to three, or is it something where there is three empty lines and people subjectively write down too expensive this year, look forward to do it next year.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

We actually put some of our salespeople on the phone and have them call meeting attendees and enter into dialogues, rather than just have them tick something on a box, cause we don't think we get as good of information that way. And so, when we look at it, you can see that it's a strong -- there's a strong financial or economic reasons that their citing to not travel.

Steven McBoyle - Royce & Associates, LLC - Analyst

Okay, and having -- so price being the predominant issue, would not management suspect that you would see a "trading down" or movement of those that are enrolling in outbound travel from the \$6,000 range to the \$4,000, i.e. that you would see that substitution effect, yet you didn't.

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Jeff Thomas - Ambassadors Group, Inc. - President, CEO

That's correct. But again, I'm not -- I think you're talking about sort of -- I guess I'd call it the demand curve theory, and I'm not sure how the demand curve changes or where it falls off. We've done different price points in the past and sometimes people have been indifferent between purchasing a program that's \$500 dollars apart. One \$500 more than the other. And so we're experiencing the opposite of that right now.

Steven McBoyle - Royce & Associates, LLC - Analyst

Okay. Couple of last questions. Are the programs that you offered this year meaningfully different than that which you offered the year prior?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

About 30% of our programs are new within the last three years. And, we do improvements to them every year, small improvements. So you see little changes here and there. I think you also heard Peg talk about -- in her narrative that the quality of the programs was as good or better than ever.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

We do have some new itineraries in there, but they are not significantly different. They might have a different -- a new city involved or a different routing, but there isn't a big shift across all of the itineraries. That we've added some nuance that Jeff's talked about. We've added some other destinations. But, they're not significantly different year-over-year.

Steven McBoyle - Royce & Associates, LLC - Analyst

Okay. So it's fair to conclude that this conversion rate issue really has nothing to do with any meaningful program change year-over-year?

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

I think that's fair.

Steven McBoyle - Royce & Associates, LLC - Analyst

And, have the competitive dynamics changed in any way year-over-year?

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

We haven't seen that. We're obviously out researching that component of it, but we have not seen that with our competitors. Anything different than they're doing or taking from us at this time.

Steven McBoyle - Royce & Associates, LLC - Analyst

Thank you for your time.

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Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Thank you.

Operator

Our next question comes from the line of Alan Brochstein with A&B Analytical. Please proceed.

Alan Brochstein - AB Analytical Services - Analyst

Okay, this time it's going to work. I apologize for that disconnection. And thanks for -- I know this is a tough day -- thanks for taking all these questions. I was curious and maybe you started to answer this, I got disconnected. Your market share on the international outbound programs, about what is it?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

So one of the challenges in our industry, there is no real market study that shows what our share is or isn't. The vast majority of outbound student programs, if you look at any kind of number that tracks it, they look at college or high school students going on group travel. And so, we have a -- we had a small, but growing share of that market.

Alan Brochstein - AB Analytical Services - Analyst

And you guys would consider yourselves at the high end, right?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Correct.

Alan Brochstein - AB Analytical Services - Analyst

Okay. So there's not really a competitive issue at all that you're aware of? I know you mentioned earlier that there might be some of these lower margin programs that are lower in quality as well could be an issue, but generally speaking there's not like better programs at a cheaper price coming along?

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

We haven't seen that. And we're actually hearing from our parents, and Jeff talked about a lot of our sales teams have been out doing telephone surveys, and the answer they're getting is just not this year. It isn't, hey, we're going to do something else. They are just, not this year.

Alan Brochstein - AB Analytical Services - Analyst

Okay.

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Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

We're not seeing it as a competitive bite yet, but again we're still researching that.

Alan Brochstein - AB Analytical Services - Analyst

Okay. And then, I'm kind of new to your Company and I read the 10K, I guess about a month or two ago, so I have a couple of questions that might be answered in there, but I was just wondering if you could go over them. The first one is -- in terms of revenue recognition, I'm trying to -- I have two questions about revenue. It looks like you guys don't run the whole costs of the trip through your P&L, it's just a portion. It excludes, I guess the airline ticket, or what is the part that's excluded, if I'm doing the math right?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

Let me clarify that for you. For our directly delivered programs, so those are primarily our Washington D.C. or domestic programs, we are responsible for their hotels, their meals, their buses. We take care of all of those costs. So those are called directly delivered programs. With those, you would have the gross revenue, would be the total tuition in which they pay. And then, we'd have our cost of goods taken on that which would be the hotels, the meals, the buses, etc. to get a net program revenue on those programs.

We then have our non-directly delivered programs, which is primarily our students, sport and professional program. Those we rely on overseas vendors to provide the hotels, meals, buses, etc., land costs and, although we contract for the air costs, those are just shown net. So this press release in which you have shows everything on a gross basis and then takes out the cost of goods sold, which would be your air, hotel, meals, etc. to get to net program revenue.

Alan Brochstein - AB Analytical Services - Analyst

Okay. Cause I'm just trying to figure out kind of the ambassador's cut relative to the overall price to the consumer. I'll be back with that later. My next question on the revenue side is, it sounds like you guys are going to try to market aggressively or spin and not alter your cost structure significantly, because of -- you feel like you've learned in the past that -- I'm just curious and you guys have been in such a great shape for years, you haven't really had to worry about this, but, have you guys looked at what your breakeven revenue would be about?

I mean the chances of actually incurring a loss in a given year, is that something that you'll try to avoid or might that be one of the possibilities if the year plays out the way it is right now given that your going to spend more money to try to improve the bookings?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

The first part, to answer the question, in fact, when we talked about 9/11. In the wake of 9/11, we did very much calculate a breakeven point and we worked on a cost reduction expense management program that would bring us to that breakeven point based on a certain revenue projection. And I think Chadwick can address better where we are today.

Chadwick Byrd - Ambassadors Group, Inc. - CFO

So obviously, even though with the decreased enrollment that we see, we don't feel like we're anywhere near that -- near that point. The great thing about our model is if we're not -- if we're not traveling, we're not spending. We are going to -- you

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mentioned that we're not going to alter our cost structure. We will alter our cost structure. We will want to spend more money on our marketing efforts as a percent of our total operating expense.

So I don't want anybody on this call to be left with the thought that they don't think that we are doing something about expense management. We will. We just want to make it very -- we want to allocate more dollars to our marketing efforts and putting our programs in front of more people.

Alan Brochstein - AB Analytical Services - Analyst

Right. That's why I was just trying to figure out, it's not real clear, this is a very different year from your years as a public Company. I'm just trying to figure out how much of that marketing expense -- could it be high enough to drive your -- to the breakeven is really what I was getting at. But it sounds like you feel -- think we're anywhere near that level. Did I hear that right?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

That's correct.

Alan Brochstein - AB Analytical Services - Analyst

Okay. And then my last question is I think remember reading this in the 10K also that you offer up these programs, but if you don't get enough enrollment, you can't actually go through with the program. And I'm wondering, is that a risk that you could see due to this low enrollment at this point? That even where you have some enrollments, you might not be able to do those trips?

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

No. That -- I think that's in there under the risks saying that if something catastrophic happens obviously we wouldn't travel to that part of the world. But in this case, we will group different delegations to make sure that we travel everybody that we enroll.

Alan Brochstein - AB Analytical Services - Analyst

Okay. And then lastly on this enrollment point. How late realistically can you guys fill these trips? If you decide to get aggressive on pricing and say you know what, we've done all this marketing, we feel like if we cut price at this point. What is the this point where you guys need to make that decision before it's really too late logistically?

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Most of these programs travel June and July. So -- and we do have people that are coming in even in April, May, but that's a pretty rare component. It's really that first quarter is probably our last component of the campaign. And so, we'll see that in this January campaign that we'll have rolling out.

Alan Brochstein - AB Analytical Services - Analyst

So when you guys report next time, you will have made a decision whether or not to cut price to boost enrollment if that's necessary, but we won't necessarily know the full impact because it sounds like March or April is the right time frame for those last spots to fill up?

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Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

I think you'll know much more of the impact in February at our next call, cause I think that, there will be some that come-in in March, but most -- unless we change something even more dramatically, but I think we'll see most of that in January and February.

Alan Brochstein - AB Analytical Services - Analyst

I'm sorry, I meant in the reported quarter. But you'll be able to give commentaries to what's happened after the end of the quarter.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Right.

Alan Brochstein - AB Analytical Services - Analyst

Okay. Alright, and then one last question. Obviously, you guys were surprised by this, but some of these factors, the weakening economy and energy prices, all these things have been out there. When did you start to detect that this might impact your business? Was it really as late as when the applications started not coming in, or was there any concern earlier?

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Well I guess, the bigger pictures, the dollar has weakened and airline tickets got more expensive, that's why we've worked on growing our domestic programs as aggressively as we have in the past several years. In addition to that piece, when we look out and we work on our marketing campaign, obviously we come up with a plan.

And, it starts to show weakness, you can't really have a good read on it until after Labor Day, until people start coming to the meetings and applications start coming in, and you have to kind of have a few meetings happen and get a good view of what's going on. So, it's -- this is still breaking news and still a developing situation.

Alan Brochstein - AB Analytical Services - Analyst

Okay. Let me ask a little bit differently. When did you all decide on your pricing for the 2008 season for the international programs?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

Pricing is generally set back in the summer, so May, June, July time period for our programs. They then go into some marketing efforts in which those kind of collateral in which the students would see after informational meetings.

Alan Brochstein - AB Analytical Services - Analyst

Okay. So all of the credit crunch or what have you was really after -- occurred after those decisions had already been made?

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Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Right.

Chadwick Byrd - Ambassadors Group, Inc. - CFO

That's correct.

Alan Brochstein - AB Analytical Services - Analyst

Okay. All right. Thank you very much.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Thank you.

Operator

Our next question is a follow-up question from Greg McKinley with Dougherty. Please proceed.

Greg McKinley - Dougherty & Company LLC - Analyst

Yes, I'm wondering if you could just remind us of what your outstanding repurchase authorization is right now?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

Greg, our outstanding repurchase is \$5.4 million.

Greg McKinley - Dougherty & Company LLC - Analyst

And, the Company has the flexibility at its discretion to be active under that at any point in time or is there a certain window on which you're able to do that?

Chadwick Byrd - Ambassadors Group, Inc. - CFO

It does go through a board approval process, but we do not see that as a limiting factor to us right now.

Greg McKinley. Okay. \$5.4 million. Thank you. Thank you.

Peg Thomas - Ambassadors Group, Inc. - EVP, President - Ambassador Programs

Thank you.

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FINAL TRANSCRIPT

Oct. 23. 2007 / 11:30AM, EPAX - Q3 2007 Ambassadors Group, Inc. Earnings Conference Call

Operator

At this time, there are no questions in queue. I would now like to turn the call over to Mr. Jeff Thomas, Chief Executive Officer. Please proceed for closing remarks.

Jeff Thomas - Ambassadors Group, Inc. - President, CEO

Thank you for your time and questions this morning. Although 2008 will be a challenging year, we believe that we can emerge stronger and better in the long run. Change creates opportunities and we will look to find the right ones for the long haul. Thank you.

Operator

Thank you for your participation in today's conference. This concludes your presentation. You may now disconnect. Good day.

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